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SUBJECT: SPP/NAEWG: U.S.-MEXICO MEETING ON GAS HYDRATES
RESEARCH COOPERATION

Introduction and Summary

¶1. (SBU) Department of Energy (DOE) and U.S. Geologic Survey (USGS) officials discussed cooperation on gas hydrate research with Mexican Energy Secretariat and Petroleos Mexicanos (Pemex) officials under the auspices of the North American Energy Working Group (NAEWG) and the Security and Prosperity Partnership for North America (SPP). The Mexican officials suggested that Mexico host a conference on gas hydrates in the fall of 2007, in Mexico, as a way to more closely examine the work the U.S. has done, especially through the DOE's Joint Industry Partnership (JIP). While Mexican officials would like to cooperate more closely with U.S. efforts on gas hydrates, they remain concerned over the role of industry in the U.S. program as well as how proprietary Mexican seismic data would be treated by any North American or other international partnership.

What are Gas or Methane Hydrates?

¶2. (U) Gas hydrate is an ice-like crystalline solid formed from a mixture of water and natural gas, usually methane. They occur in the pore spaces of sediments, and may form cements, nodes or layers. They are found in sub-oceanic sediments in the Polar Regions (shallow water) and in continental slope sediments (deep water) including in the Gulf of Mexico, where pressure and temperature conditions combine to make them stable. Natural gas hydrates contain highly concentrated methane, important both as an energy resource and as a factor in global climate change.

Mexico and Gas Hydrates

¶3. (SBU) Rafael Alexandri, the Director General for Hydrocarbons at the Mexican Energy Secretariat told the U.S. side that while he saw many good reasons for Mexico to join the Joint Industry Project (JIP) for research on Methane Hydrates, he was not sure that joining would be in their best interests. As far as Mexico was concerned, it would rather work less with foreign industry and more on a trilateral basis (U.S.-Mexico-Canada). Nevertheless, Mexico was interested in cooperation.

¶4. (SBU) Discussing the background of Mexican Methane Hydrates research program, Alexandri said that Pemex had 'let a contract' with Western Geophysical, an exploration subsidiary of Schlumberger, to do work on the Shamit offshore

field in the Gulf of Mexico. As the company processed the data, they recognized a possible gas hydrate layer. After reprocessing and taking a closer look, Pemex asked Nader Dutta, Chief Geoscientist for Schlumberger to study the result. He confirmed the presence of hydrates.

¶ 15. (SBU) Following the discovery, the GOM formed a group of representatives of the Mexican energy sector to study gas hydrates. The group included representatives from Pemex, the Mexican Petroleum Institute (IMP), and the Mexican National Autonomous University (UNAM). The group is led by the Secretariat of Energy (SENER). Two years ago, the Mexicans

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spoke with the Indians based on experience that Mexico had with the Indian firm Reliance to compare work by the two countries on hydrates. Alexandri also noted that 2-3 months ago a research vessel took samples along the Mexican Pacific coast.

¶ 16. (SBU) Alexandri added that Dr. Dutta suggested to him that the Mexican Hydrates Group travel to Houston to discuss joining the Joint Industry Program (JIP), the group formed through the auspices of the DOE and the USGS for cooperative research on gas hydrates, but the Pemex group was told at that meeting that joining the JIP would require a USD 230,000 membership contribution.

¶ 17. (SBU) Alexandri noted that Mexico does have seismic data it could provide to the JIP, though the presence of industry representatives in the JIP does make Mexico's participation more difficult politically. Mexico would not be able to pass geophysical data to outsiders without a technology transfer agreement to govern the exchange. Alexandri added that many of the JIP member companies do have formal agreements with Mexico. Alexandri also noted that under the terms of the

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SPP/NAEWG the Canadians would also participate, though he added that Canada was coordinating much of its Methane Hydrate work in the arctic with Japan. The group speculated that since Japan was paying for 90% of the research, Canada would likely be unable to include arctic hydrate issues in any participation with Mexico and the U.S. through the NAEWG. Canada should, however, be free to openly collaborate on marine gas hydrates issues.

Presentation of U.S. Research Efforts

¶ 18. (SBU) DOE/National Energy Technology Laboratory Manager for Methane Hydrates Research and Development Ray Boswell noted that the JIP is DOE's main focus for Gulf of Mexico gas hydrates research. The USG funds 80% of the JIP's cost. The data that members provide is kept confidential, but all results are made available to the public. The U.S. has a contract in place with the JIP that could allow up to USD 20 million of USG funds to be spent on research, drilling cruises, and other activities.

¶ 19. (SBU) Boswell indicated that the JIP project manager (Dr. Emrys Jones) had indicated recently that the current fee to join the JIP was USD 189,000. Regardless of whether Mexico paid the fee, Mexican representatives were very welcome to attend and participate in the JIP's public meetings. Joining the JIP, however, would entitle Mexico to participate in executive board deliberations and vote on the direction of the research proposals the group would forward for approval to the DOE. That said, there was also flexibility within the JIP. Investment was important to the group -- but so was involvement and data donation. Boswell suggested there might be flexibility on the fee in this regard. All the members of the JIP would vote on such a change.

¶ 10. (SBU) Boswell suggested that in the interim, if Mexico were to work with the JIP group, a partnership could be

started with SENER, the USGS, DOE and the JIP. The group could also ask Pemex, Western Geophysical and other companies to participate. On the Mexican side, the IMP and UNAM would also participate as they also have data. Alexandri suggested that the Canadians could also be invited to join. He thought the Canadians would be more comfortable in a group with the U.S. Alexandri suggested that as a first step, the Mexican Government put together a robust seminar on Methane Hydrate research inviting a broad list of participants. Boswell agreed that a seminar with all interested participants would be a good idea, and suggested that DOE hydrate project representatives would be encouraged to attend.

Next Step: Mexican Gas Hydrate Conference

¶11. (SBU) Alexandri suggested that Mexico would work first with the U.S. to lay out the basics of the seminar to be held in September 2007 and then follow-up with Canada as suggested by the NAEWG framework. Alexandri closed reiterating the two problems with the JIP as far as Mexico was concerned.

-- Industry participation in the program created problems for Mexico as far as data sharing, though, Alexandri suggested, Mexico already has data sharing arrangements with many of the JIP industry members.

-- Mexico would also have to examine the making public of data as a result of the work of the JIP to determine whether it could be in compliance with Mexican law.

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